Elements in Defence Economics
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THE US DEFENSE ECONOMY

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Abstract: The US defense economy is remarkable for a number of reasons – including sheer size. It receives a significant (albeit decreasing) share of GDP and has a significant international footprint. Its purpose is to provide the resources for national defense – against a set of complex and capable adversaries. The main players in the defense economy are households and the federal government. The associated interactions determine the resources provided for national defense and their allocation among various defense needs. This Element focuses primarily on interactions between government and industrial suppliers – within the institutional peculiarities of the defense marketplace. This includes the developments that have determined the course of defense industry consolidation post-Cold War. The authors also highlight the persistent gap between resources available for defense and the means to execute the National Security Strategy. Finally, they offer some tentative thoughts regarding developments likely to shape the defense economy’s future.

Keywords: defense economics, US defense economy, US defense industries, US defense industrial consolidation, US defense market regulation

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# Contents

1 Introduction 1

2 Economics of US Defense: An Overview 1

3 Resources for Defense 7

4 The Defense Market: A Sovereign Monopsony 20

5 Defense Industrial Consolidation Post-Cold War 34

6 Limits on Sovereign Monopsony 55

References 73